

FISCAL IMPACT STATEMENT ON BILL NO. **S.589**

(Doc. No. 3233dw07.doc)

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| TO: | The Honorable David Thomas, Chairman, Senate Banking and Insurance Committee | | |
| FROM: | Office of State Budget, Budget and Control Board | | |
| ANALYSTS: | Kenneth Brown | | |
| DATE: | March 27, 2007 | SBD: | 2007271 |

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| AUTHOR: | Senator Thomas | PRIMARY CODE CITE: | 38-90-110 |
| SUBJECT: | Captive Insurance - Reserves on Risks | | |

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
\$0 (No additional expenditures or savings are expected)

BILL SUMMARY:

The Bill would prohibit an industrial insured captive insurance company from taking credit for reserves on risks or portions of risks ceded to reinsurers if not in compliance with the provisions of Section 38-9-200, 38-9-210 and 38-9-220 and further provides that all other captive insurance companies may not take credit for reserves pursuant to those provisions unless specific approval has been granted by the Director of Insurance.

EXPLANATION OF IMPACT:

The Department of Insurance indicates that this Bill would require additional General Funds of the State totaling \$20,000 annually. Funds would be used to hire temporary or contract staff to assist in performing investigations of the reinsurer and monitoring the reinsurers' financial rating and strength.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

None.

Approved by:



Harry Bell
Assistant Director, Office of State Budget